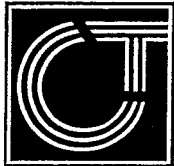


TOWN OF CAMP VERDE, ARIZONA  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2002

TOWN OF CAMP VERDE, ARIZONA  
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FISCAL YEAR ENDED JUNE 30, 2002

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**FINANCIAL SECTION**



# CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the Town Council of the  
Town of Camp Verde, Arizona

We have audited the accompanying general-purpose financial statements of the Town of Camp Verde, Arizona (Town), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Camp Verde, Arizona as of June 30, 2002, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

November 7, 2002

## **General-Purpose Financial Statements**

TOWN OF CAMP VERDE, ARIZONA  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-term Debt	
<b>Assets and Other Debits</b>					
<b>Assets</b>					
Cash and investments	\$ 1,911,211	\$ 1,599,640	\$ -	\$ -	\$ 3,510,851
Accounts receivable	31,444	-	-	-	31,444
Loans receivable	-	317,072	-	-	317,072
Intergovernmental receivable	174,615	134,656	-	-	309,271
Interest receivable	3,059	1,612	-	-	4,671
Fixed assets	-	-	2,926,121	-	2,926,121
<b>Other Debits</b>					
Amount to be provided for retirement of general long-term debt	-	-	-	262,616	262,616
<b>Total Assets and Other Debits</b>	<u>\$ 2,120,329</u>	<u>\$ 2,052,980</u>	<u>\$ 2,926,121</u>	<u>\$ 262,616</u>	<u>\$ 7,362,046</u>
<b>Liabilities, Equity and Other Credits</b>					
<b>Liabilities</b>					
Accounts payable	\$ 36,825	\$ 88,424	\$ -	\$ -	\$ 125,249
Accrued wages and benefits	9,408	-	-	-	9,408
Notes payable	-	-	-	60,843	60,843
Deferred revenue	-	317,072	-	-	317,072
Compensated absences payable	-	-	-	138,773	138,773
Capital leases payable	-	-	-	63,000	63,000
<b>Total Liabilities</b>	<u>46,233</u>	<u>405,496</u>	<u>-</u>	<u>262,616</u>	<u>714,345</u>
<b>Equity and Other Credits</b>					
Investment in general fixed assets	-	-	2,926,121	-	2,926,121
<b>Fund balances</b>					
Unreserved, undesignated	2,074,096	1,647,484	-	-	3,721,580
<b>Total Equity and Other Credits</b>	<u>2,074,096</u>	<u>1,647,484</u>	<u>2,926,121</u>	<u>-</u>	<u>6,647,701</u>
<b>Total Liabilities, Equity and Other Credits</b>	<u>\$ 2,120,329</u>	<u>\$ 2,052,980</u>	<u>\$ 2,926,121</u>	<u>\$ 262,616</u>	<u>\$ 7,362,046</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF CAMP VERDE, ARIZONA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2002

	General	Special Revenue	Totals (Memorandum Only)
<b>Revenues</b>			
Taxes	\$ 843,952	\$ 410,797	\$ 1,254,749
Intergovernmental	2,409,205	941,264	3,350,469
Fines and forfeitures	349,079	-	349,079
Licenses and permits	142,874	-	142,874
Charges for services	141,203	276,798	418,001
Rents and royalties	19,078	-	19,078
Contributions and donations	37,913	-	37,913
Interest	50,691	29,508	80,199
Other	52,274	100	52,374
<b>Total Revenues</b>	<u>4,046,269</u>	<u>1,658,467</u>	<u>5,704,736</u>
<b>Expenditures</b>			
Current			
General government	2,002,741	44,076	2,046,817
Public safety	1,311,430	41,413	1,352,843
Highways and streets	-	1,024,049	1,024,049
Culture and recreation	628,522	26,139	654,661
Redevelopment and housing	-	5,321	5,321
Health and welfare	61,816	-	61,816
Capital outlay	102,920	-	102,920
Debt service			
Principal retirement	56,756	19,353	76,109
Interest and fiscal charges	10,770	3,157	13,927
<b>Total Expenditures</b>	<u>4,174,955</u>	<u>1,163,508</u>	<u>5,338,463</u>
Excess of revenues over (under) expenditures	(128,686)	494,959	366,273
Fund balance, beginning of year	<u>2,202,782</u>	<u>1,152,525</u>	<u>3,355,307</u>
Fund balance, end of year	<u>\$ 2,074,096</u>	<u>\$ 1,647,484</u>	<u>\$ 3,721,580</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF CAMP VERDE, ARIZONA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 847,000	\$ 843,952	\$ (3,048)	\$ 360,000	\$ 410,797	\$ 50,797
Intergovernmental	2,326,486	2,409,205	82,719	974,970	941,264	(33,706)
Fines and forfeitures	279,000	349,079	70,079	-	-	-
Licenses and permits	123,077	142,874	19,797	-	-	-
Charges for services	145,000	141,203	(3,797)	240,500	276,798	36,298
Rents and royalties	9,000	19,078	10,078	-	-	-
Contributions and donations	1,001	37,913	36,912	-	-	-
Interest	90,000	50,691	(39,309)	50,000	29,508	(20,492)
Other	45,655	52,274	6,619	2,000	100	(1,900)
<b>Total Revenues</b>	<u>3,866,219</u>	<u>4,046,269</u>	<u>180,050</u>	<u>1,627,470</u>	<u>1,658,467</u>	<u>30,997</u>
<b>Expenditures</b>						
Current						
General government	3,430,105	2,002,741	1,427,364	103,535	44,076	59,459
Public safety	1,233,538	1,311,430	(77,892)	29,000	41,413	(12,413)
Highways and streets	-	-	-	947,154	1,024,049	(76,895)
Culture and recreation	562,846	628,522	(65,676)	-	26,139	(26,139)
Redevelopment and housing	-	-	-	-	5,321	(5,321)
Health and welfare	70,179	61,816	8,363	-	-	-
Capital outlay	67,501	102,920	(35,419)	-	-	-
Debt service						
Principal retirement	56,778	56,756	22	-	19,353	(19,353)
Interest and fiscal charges	15,272	10,770	4,502	2,622	3,157	(535)
<b>Total Expenditures</b>	<u>5,436,219</u>	<u>4,174,955</u>	<u>1,261,264</u>	<u>1,082,311</u>	<u>1,163,508</u>	<u>(81,197)</u>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,570,000)</b>	<b>(128,686)</b>	<b>1,441,314</b>	<b>545,159</b>	<b>494,959</b>	<b>(50,200)</b>
<b>Fund balance, beginning of year</b>	<u>1,570,000</u>	<u>2,202,782</u>	<u>632,782</u>	<u>-</u>	<u>1,152,525</u>	<u>1,152,525</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ 2,074,096</u>	<u>\$ 2,074,096</u>	<u>\$ 545,159</u>	<u>\$ 1,647,484</u>	<u>\$ 1,102,325</u>

The accompanying notes to financial statements are an integral part of this statement.



TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the Town of Camp Verde, Arizona (Town) conform to U.S. generally accepted accounting principles as applicable to governmental units. The more significant of the Town's accounting policies are described below.

**Reporting Entity** - In evaluating how to define the Town, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in U.S. generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Town) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Town's reporting entity, none have been included in the Town's reporting entity.

**Fund Accounting** - The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

*Governmental Funds*

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*

*Account Groups*

**General Fixed Assets** - The General Fixed Assets Account Group accounts for the fixed assets of the Town.

**General Long-term Debt** - The General Long-term Debt Account Group accounts for the unmaturred principal balances of bonds and other long-term debt not reported in proprietary funds.

**Measurement Focus** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Governmental Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt that are recognized when due.

Those revenues susceptible to accrual are intergovernmental grants and appropriations, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and other revenues are not susceptible to accrual, because generally they are not measurable until received in cash.

**Budgetary Accounting** - The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*

3. State law requires that, prior to April 1, the Economic Estimates Commission provides the Town with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department or activity for each fund. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

All appropriations lapse at year-end.

**Cash Equivalents** - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

**Loans Receivable** - The Town loans federal grant monies to local residents for housing improvements. These loans are long-term in nature and are deferred until received.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)*

**Inventories** - Purchases of such inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2002, were immaterial, they are not included in the balance sheet.

**Property, Plant and Equipment** - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) assets consisting of certain improvements other than buildings, such as roads and sidewalks are not capitalized, as these assets are immovable and of value only to the government. Property, plant and equipment acquired or constructed for general governmental operations are recorded at the time of purchase as expenditures in the funds from which the expenditures were made. Property, plant and equipment is recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Assets in the general fixed assets account group are not depreciated.

**Fund Equity** - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

**Compensated Absences** - The Town accrues vested or accumulated compensated absences in governmental fund types for the amount expected to be liquidated with expendable financial resources. Because no compensated absences of the governmental fund types are expected to be liquidated with expendable financial resources, the total liability is recorded in the General Long-term Debt Account Group.

**Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Total Columns** - Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with U.S. generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

Expenditures exceeded the adopted budget in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Town Manager	\$ 4,735
Finance/Town Clerk	4,555
Legal	121,200
Janitorial Services	591
Magistrate	17,654
Capital Improvements	35,419
Chamber	3,937
Police/Patrol	62,244
Dispatch	17,644
Community Pool	11,702
Parks	50,545
Library	3,429
Planning	59,857
Special Revenue Fund:	
Non-Federal Grant Programs	35,782
HURF/LTAF	81,395

Cash was available to meet all of the overexpenditures listed above.

*NOTE 3 - CASH AND INVESTMENTS*

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

Cash and investments at June 30, 2002 consist of the following:

Cash on hand	\$ 660
Cash in bank	311,992
Certificate of Deposit	87,175
State Treasurer's Investment Pool	<u>3,111,024</u>
Total cash and investments on the combined balance sheet	<u>\$ 3,510,851</u>

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 3 - CASH AND INVESTMENTS (Concl'd)*

The Town's deposits as of June 30, 2002 were entirely insured or collateralized with securities held by the Town's custodial bank in the Town's name.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

The carrying amount of the Town's investments at June 30, 2002 were stated at fair value and consisted of the following.

	<u>Fair Value</u>
Certificate of Deposit	\$ 87,175
Investment in State Treasurer's Investment Pool	<u>3,111,024</u>
	<u>\$ 3,198,199</u>

*NOTE 4 - CHANGES IN GENERAL FIXED ASSETS*

A summary of the changes in general fixed assets follows.

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land, buildings and improvements	\$ 1,447,282	\$ -0-	\$ (15,837)	\$ 1,431,445
Furniture and equipment	872,937	22,421	(4,588)	890,770
Vehicles	<u>473,298</u>	<u>159,007</u>	<u>(28,399)</u>	<u>603,906</u>
Total	<u>\$ 2,793,517</u>	<u>\$ 181,428</u>	<u>\$ (48,824)</u>	<u>\$ 2,926,121</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 5 - OBLIGATIONS UNDER CAPITAL LEASES*

The Town has acquired the town complex under the provisions of a long-term lease agreement classified as a capital lease. Accordingly, the principal amount of the asset, totaling \$490,000, is capitalized in the General Fixed Assets Account Group and is funded 93.3% from the General Fund and 6.7% from the Special Revenue Fund. The lease provides for title to pass at the end of the lease terms. The future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2002, were as follows.

Year ending June 30:	
2003	\$ 66,445
Less: amount representing interest	<u>(3,445)</u>
Present value of net minimum capital lease payments	<u>\$ 63,000</u>

A summary of the changes in capital lease obligations resulting from purchases of items capitalized in the General Fixed Assets Account Group follows.

<u>Assets Acquired</u>	<u>Balance July 1, 2001</u>	<u>Reduction</u>	<u>Balance June 30, 2002</u>
Land, buildings and improvements	<u>\$ 122,000</u>	<u>\$ (59,000)</u>	<u>\$ 63,000</u>

*NOTE 6 - NOTES PAYABLE*

Notes payable at June 30, 2002, including the following:

Custard's Property, a five year mortgage note with monthly payments of \$1,494 including 7.25% of interest through January 2004	\$ 26,740
Butler Park, a fourteen year mortgage note with monthly payments of \$436.34 including 10.0% of interest through December 2012	<u>34,103</u>
	<u>\$ 60,843</u>

TOWN OF CAMP VERDE, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 6 - NOTES PAYABLE (Concl'd)*

A summary of changes in the notes payable follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2002</u>
Buildings	<u>\$ 77,952</u>	<u>\$ (17,109)</u>	<u>\$ 60,843</u>

The future minimum payments for the notes payables including \$22,934 of interest are as follows:

Year ending June 30:

2003	\$ 23,163
2004	15,694
2005	5,236
2006	5,236
2007	5,236
Thereafter	<u>29,212</u>
	<u>\$ 83,777</u>

*NOTE 7 - COMPENSATED ABSENCES*

The liability for vested compensated absences is recorded in the General Long-term Debt Account Group. A summary of changes in liabilities for compensated absences for the year ended June 30, 2002, follows.

Balance at July 1, 2001	\$ 103,641
Current year increase in liabilities for compensated absences	<u>35,132</u>
Balance at June 30, 2002	<u>\$ 138,773</u>

*NOTE 8 - CONTINGENT LIABILITIES*

**Accumulated Sick Leave** - Sick leave benefits provide for ordinary sick pay and are cumulative with 10% vesting with employees. Unvested accumulated sick leave of Town employees at June 30, 2002, totaled \$224,750.



TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 9 - RISK MANAGEMENT*

The Town of Camp Verde, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$5,000,000 per occurrence on a follow form, claims made basis.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is insured by Arizona State Workers Compensation Insurance Fund for potential worker related accidents.

*NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN*

All full-time and certain part-time employees of the Town participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for Town employees covered by this plan for the year ended June 30, 2002 was \$1,709,183. The Town's total payroll was \$2,463,693.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such a participant's account. All full-time Town employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Town vest gradually according to the following schedule:

<u>Years of Service</u>	<u>Percentage Vesting</u>
1	10%
2	30%
3	50%
4	70%
5	100%

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN (Concl'd)*

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. Each employee must contribute 6% of his or her gross earnings. The Town must contribute 6% of covered earnings. During fiscal year 2001-02 the Town's required and actual contributions amounted to \$102,551. The employees' contributions totaled \$102,551.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2001-02 or as of the close of the fiscal year.

*NOTE 11 - RETIREMENT AND PENSION PLANS*

**Plan Description** - The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

**Funding Policy** - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 8.70% of annual covered payroll.

**Annual Pension Cost** - During the year ended June 30, 2002, the Town's annual pension cost of \$47,901 for police was equal to the Town's required and actual contributions.

The required contribution was determined as part of the June 30, 2002 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 9% per year compounded annually, (b) projected salary increases of 6.5% per year compounded annually, and (c) additional projected salary increases of 0% to 3% per year attributable to seniority/merit.

TOWN OF CAMP VERDE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 11 - RETIREMENT AND PENSION PLANS (Concl'd)*

The actuarial value of the Town's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**Three-Year Trend Information**

Fiscal Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Police	
		<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2000	\$ 17,356	100%	\$ -0-
2001	38,694	100	-0-
2002	47,901	100	-0-

Additional historical trend information for the Town's PSPRS is disclosed on page 18.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

## **REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF CAMP VERDE, ARIZONA  
**REQUIRED SUPPLEMENTARY INFORMATION**  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
ANALYSIS OF FUNDING PROGRESS

Valuation Date <u>June 30,</u>	Actuarial Value of <u>Assets</u>	Entry Age Actuarial Accrued <u>Liability (AAL)</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Unfunded AAL as a Percentage of Covered <u>Payroll</u>
1996	\$ 590,242	\$ 542,032	\$ (48,210)	108.9%	\$ 393,671	- %
1997	759,081	632,992	(126,089)	119.9	445,805	-
1998	826,446	647,501	(178,945)	127.6	395,006	-
1999	983,019	804,659	(178,360)	122.2	443,967	-
2000	1,149,099	968,773	(180,326)	118.6	455,321	-
2001	1,243,433	938,207	(305,226)	132.5	525,880	-
2002	1,330,238	1,140,723	(189,515)	116.6	609,110	-